

**Demand assessment report
for the incremental capacity process starting
2019
between Poland (E-Gas Transmission System)
and
the Trading Hub Europe**

2019-10-21

This report is a joint assessment of the potential for incremental capacity projects conducted by:

ONTRAS Gastransport GmbH**Gas Transmission Operator****GAZ - SYSTEM S.A.**

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This analysis concerns the market demand assessment report for incremental capacity at the interconnection point (IP) GCP GAZ-SYSTEM/ONTRAS, which connects the entry-exit-system of Poland (E-Gas Transmission System) and the entry-exit-system of the Trading Hub Europe. Currently, on the German side of the market border the market area of GASPOOL is still in place and active. However, as of 1 October 2021 this market area will be merged with the market area of Net-Connect-Germany to the common German market area named Trading Hub Europe. As this market demand assessment report assesses the future capacity situation this report refers in the following always to the aforementioned new German market area.

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A. Non-binding demand indications

All inquiries received in the course of the demand period comply with the terms and conditions of participation and can be taken into account in the subsequent analysis.

Transmission System Operators GAZ-SYSTEM and ONTRAS have received non-binding demand indications for firm capacity at the IP between the entry-exit system of GAZ-SYSTEM (E-Gas Transmission System) and the entry-exit system of the Trading Hub Europe for the future period as presented below.

The following non-binding demand indications **received by ONTRAS and GAZ-SYSTEM** for firm capacity have been used as a basis for this demand assessment:

From EXIT CAPACITY	To ENTRY CAPACITY	Gas year	Amount in (kWh/h)/y	Request is submitted to other TSOs	Period when de- mand Indi- cation was received*	Additional In- formation (e.g. type of ca- pacity), if differ- ent from bun- dled firm freely allocable)
<i>Poland (E- Gas Trans- mission System)</i>	<i>Trading Hub Europe</i>	<i>2021/22 - 2035/36</i>	<i>1,468,176</i>	<i>The same re- quest was submitted to ONTRAS and GAZ-SYSTEM</i>	<i>2</i>	<i>Entry capacity: freely allocable firm capacity</i>

* The following standardised period shall be used for indicating the receiving date of the demand indication:

- 1) later than eight weeks after the annual yearly capacity auction in the previous incremental capacity cycle, that have not been considered previously;
- 2) within eight weeks after this year's yearly capacity auction (0 – 8 weeks after yearly auction in year);
- 3) later than eight weeks after this year's yearly capacity auction, but that will be considered in this incremental capacity cycle (9 – 16 weeks after yearly auction in year).

B. Demand assessment

Future merger of the German entry-exit-systems

On 7 July 2017, the German Bundesrat (Federal Council) approved the revision of the German Grid Ordinance (GasNZV) which in §21 p. 1 s. 2 obliges TSOs to merge the currently existing two entry-exit-systems within Germany until 1 April 2022. Since such a merger implies that interconnection points between the entry-exit-systems will be transformed to inter-TSO exchange points and due to the fact that capacities eventually will not be bookable for transports, TSOs will stop marketing the respective capacities as of the date of the entry-into-force of the revised GasNZV for transports taking place after the merger.

In the course of the merging project of the two German market areas (“marco”) the German TSOs announced that they are planning to merge the two German market areas as of 1 October 2021 to the new market area “Trading Hub Europe”. Since the ongoing incremental capacity process will end with the auctioning of yearly capacity products for capacity starting on 1 October 2021 in July 2021, there is no possibility to consider any requests concerning the borders of the market areas NetConnect Germany or GASPOOL. Therefore, only demand indications for the borders of the merged German market area can be stated in the incremental cycle 2019 – 2021 (and following) and only those will be evaluated.

Due to the complexity of developing a joint capacity model for the new entry-exit system Trading Hub Europe, the evaluation of requested capacity will be based on the latest legally binding version of the German network development plan gas 2018 – 2028. In the further process of incremental capacity this basis for planning can change and a new assessment of already done conclusions could be necessary. As a consequence, also the level of demand for incremental capacity could change in the course of an incremental capacity project. All known facts will be incorporated into the process to the best of one’s knowledge and belief, still the TSO reserve the right to amend the input values for capacity modelling.

Specifics of the assessed demand indication

i. Historical usage pattern at interconnection points between Poland (E-Gas Transmission System) and the Trading Hub Europe

For the incremental capacity cycle addressed by this report non-binding market demand indications were received. Therefore, an analysis of the historical capacity utilization between the aforementioned entry-exit systems is given to support the assessment of a future demand for incremental capacity.

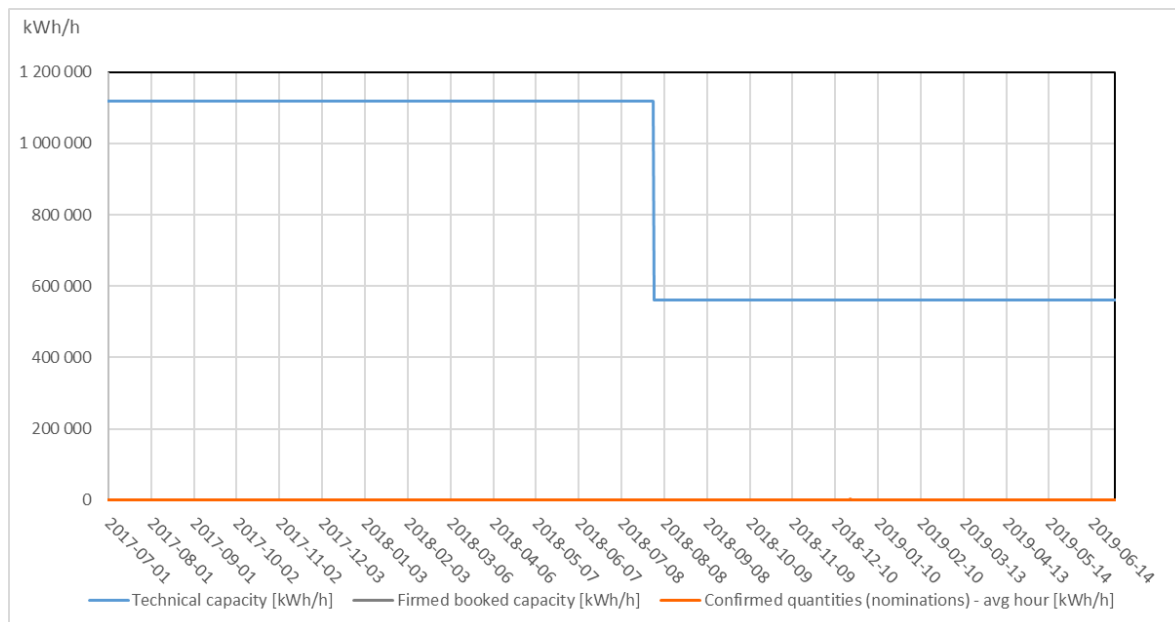
This examination refers to the IP GCP GAZ-SYSTEM/ONTRAS which connects the Polish entry-exit E-Gas Transmission System with the entry-exit system of the Trading Hub Europe. The analysis is here based on the flow direction for which non-binding market demands were received. Since the technical and commercial parameters can differ substantially on both sides of this IP, the analysis is described from the perspectives on either side of the IP. At the end, the demand for incremental capacity at the connection between these two entry-exit systems is evaluated.

For the analysis the technical capacity, the booked firm capacity and the final confirmed quantities according to Article 3 (8) of Regulation (EU) No. 312/2014 are presented on an hourly scale. For the confirmed quantities no distinction between transports in firm or interruptible capacities is performed. The analysis is performed for the time frame 01.07.2017 06:00 hrs – 01.07.2019 06:00 hrs.

Interconnection points connecting the aforementioned entry-exit systems:

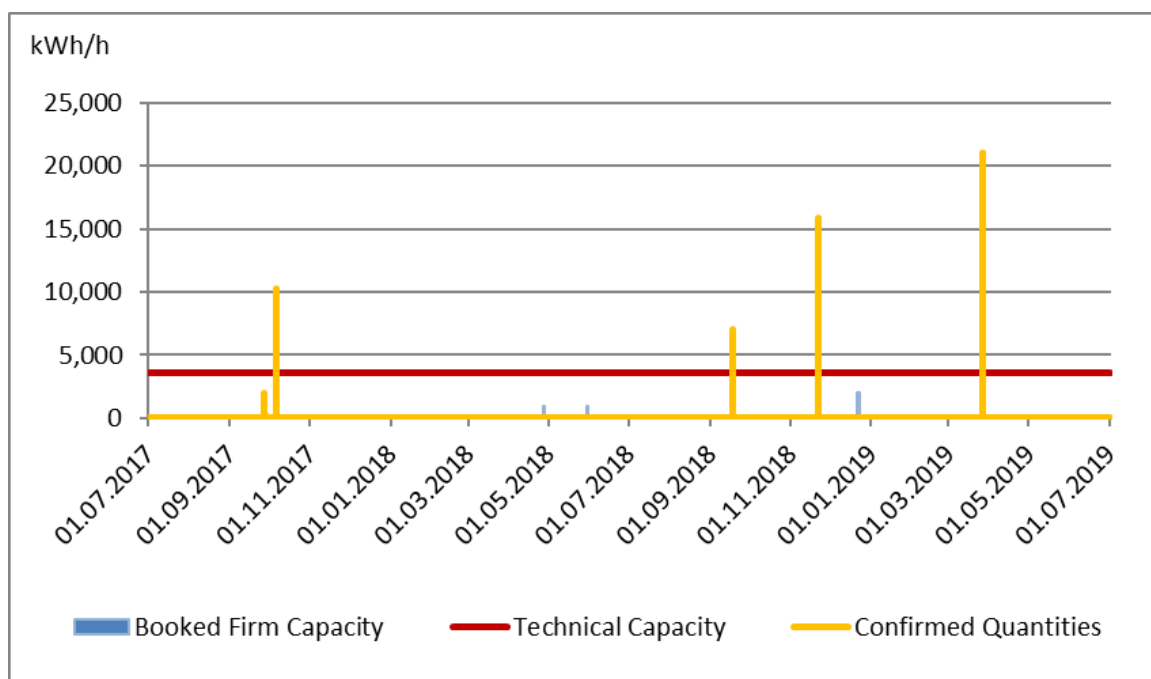
Interconnection Point:	GCP GAZ-SYSTEM/ONTRAS		
Energy Identification Code:	21Z000000000456C		
Entry-Exit-System:	Poland (E-Gas Transmission system)	Entry-Exit-System:	Trading Hub Europe
Transmission System Operator:	IP name:	Transmission System Operator:	IP name:
GAZ-SYSTEM S.A.	GCP GAZ-SYSTEM/ ONTRAS	ONTRAS Gastransport GmbH	GCP GAZ-SYSTEM/ ONTRAS

a. Exit Poland (E-Gas Transmission System) (GCP GAZ-SYSTEM/ONTRAS) – TSO GAZ-SYSTEM



As a summary no sustained congestion is visible in the historic analysis that would indicate the need for additional firm capacity for the direction Exit Poland (E-Gas Transmission System). Therefore, no further analysis in respect to congestion management procedures and secondary marketing is performed.

b. Entry Trading Hub Europe (GCP GAZ-SYSTEM/ONTRAS) – TSO ONTRAS



Although the confirmed quantities exceeded the technical capacity for a small number of days sufficient capacity was available in the past to meet all existing demand for the direction Entry to the Trading Hub Europe. For these reasons, no further analysis of congestion management procedures and secondary marketing is performed.

ii. Results of current annual yearly capacity auctions

No yearly capacity products were sold in this year's annual capacity auction on 1 July 2019 for the transport direction which has been requested through the non-binding demand indications.

GSA Platform (Exit GCP GAZ-SYSTEM/ONTRAS): <https://gsaplatform.eu/bid/ac/d/r/390916>

PRISMA platform (Entry GCP GAZ-SYSTEM/ONTRAS): <https://platform.prisma-capacity.eu>

iii. Relations to GRIPs, TYNDP, NDPs

In general, neither GRIPs, TYNDP nor national development plans identify an infrastructure gap between Poland and Germany for the requested transport direction.

Nevertheless, in connection with the first incremental capacity cycle 2017-2019, a project responding to received demand indication was developed by GAZ-SYSTEM and ONTRAS, which could be submitted to the several network development plans. The German NRA BNetzA decided, that incremental projects should not be part of the German national development plan until binding commitments have been received. To be consistent, ONTRAS decided consequently to not submit this project to the TYNDP. On the other hand, GAZ-SYSTEM submitted the "GCP GAZ-SYSTEM/ONTRAS - incremental capacity project" (TRA-N-1202) to TYNDP 2018 and resubmitted it to TYNDP 2020. In parallel, the project has not been part of the Polish national development plan.

Due to the lack of an agreement on a common booking platform and the annulment of the first ACER decision¹ on the common booking platform for the GCP GAZ-SYSTEM/ONTRAS (ACER Decision 11/2018) by the ACER Board of Appeal and since the NRAs did not issue coordinated decisions² on the project proposal submitted for approval by ONTRAS and GAZ-SYSTEM in October 2018, the incremental project being result of 2017-2019 incremental procedure could not be tested in the annual capacity auction 2019. According to Article 6 (10) of Regulation (EC) No 2019/942 ACER became the competent authority to decide on this project. Until the closing date of the document there was no information about the ACER decision.

¹ See [https://acer.europa.eu/en/The_agency/Organisation/Board_of_Appeal/Decisions/368%20A-002-2018%20final%20decision%20of%20the%20Board%20of%20Appeal%20\(for%20publication%20on%20web\)_Redacted.pdf](https://acer.europa.eu/en/The_agency/Organisation/Board_of_Appeal/Decisions/368%20A-002-2018%20final%20decision%20of%20the%20Board%20of%20Appeal%20(for%20publication%20on%20web)_Redacted.pdf)

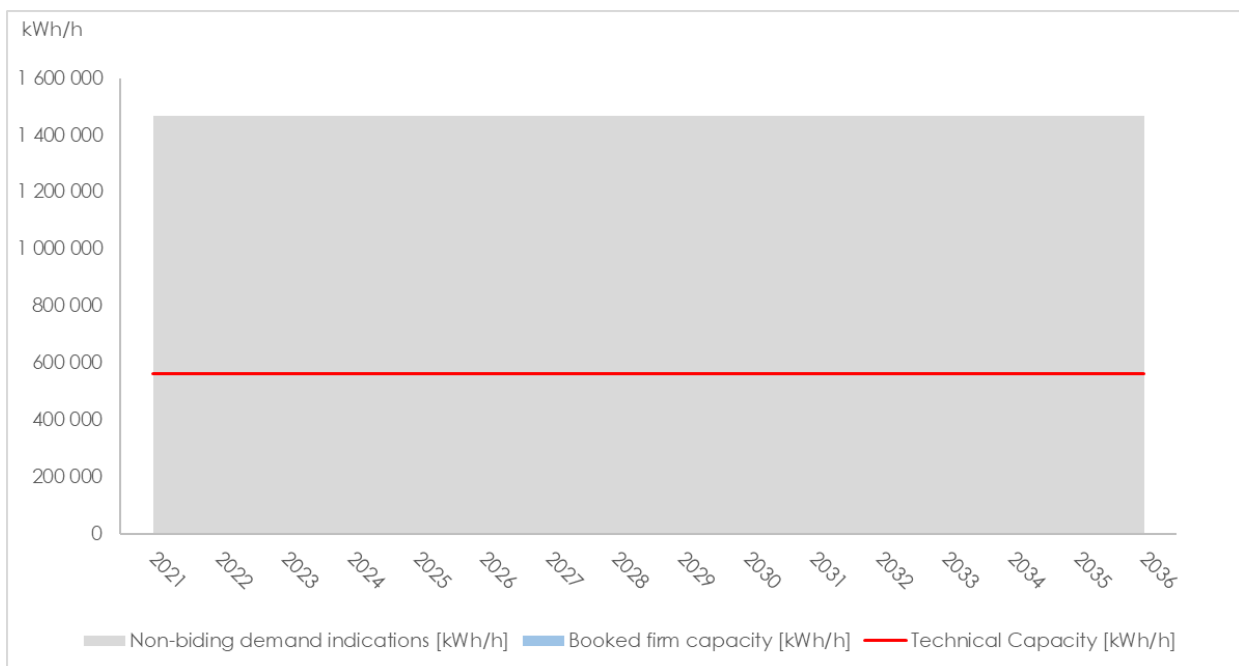
² See <https://en.gaz-system.pl/press-centre/news/information-for-the-media/artykul/202962/>

In addition, on 6 of August 2019 ACER issued its second decision on the choice of a booking platform for the IP GCP GAZ-SYSTEM/ONTRAS providing basis for incremental capacity auctioning at the given interconnection point under the 2019-2021 incremental procedure.

iv. Expected amount, direction and duration of demand for incremental capacity

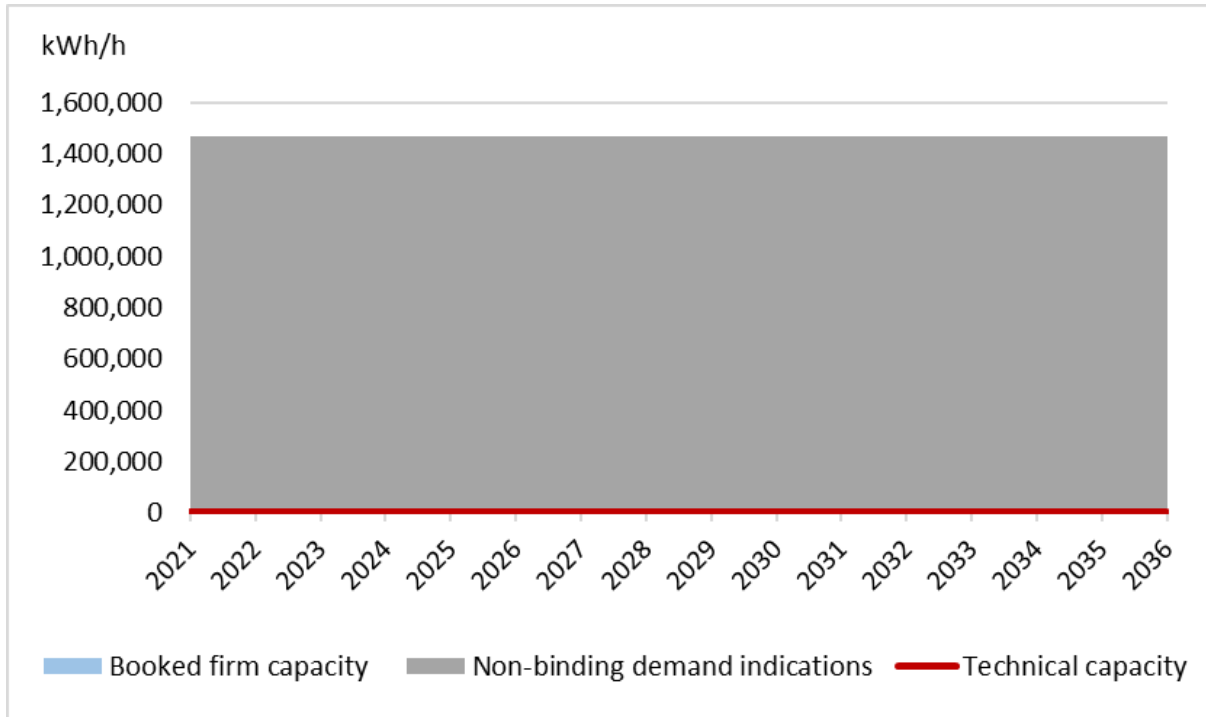
The assessment of the demand for incremental capacity will be conducted by analyzing the technical capacity, the booked firm capacity and the non-binding demand indications received for the interconnection points of the relevant entry-exit system border. The technical capacity concerning the IPs of the Trading Hub Europe is based on the last confirmed NDP (2018). The booked firm capacity used for this analysis is based on the published data of the concerned transmission system operators.

a. Exit Poland (E-Gas Transmission System) (GCP GAZ-SYSTEM/ONTRAS) – TSO GAZ-SYSTEM



To meet the market expectations concerning the incremental capacity, the technical capacity increase on GAZ-SYSTEM side would have to be equal to 907,052 kWh/h. Thus, the request from the submitted incremental demand would be fulfilled and the overall capacity would be 1,468,176 kWh/h.

b. Entry Trading Hub Europe (GCP GAZ-SYSTEM/ONTRAS) – TSO ONTRAS



In order to determine whether a technical study is necessary, the criteria defined under Point C is checked. This check is carried out for each relevant entry-exit-system. In conclusion, a statement is made whether an incremental capacity project is initiated and whether technical studies need to be conducted.

C. Conclusion for the (non)-initiation of an incremental capacity project

If a sustained expected demand for incremental capacity is identified on one side of the entry-exit-system border the involved TSOs deem it necessary to conduct technical studies. Depending on whether a demand for incremental capacity is identified on one or both sides of the border of the entry-exit system an incremental capacity project will be started on one or both sides of the specific entry-exit system.

Deviations can occur only if there are justified individual instances.

If an incremental capacity project is initiated, then technical studies will be conducted for potentially all IPs of the respective entry-exits system border for which the project was initiated. The specific IPs and TSOs for which technical studies will be conducted will be determined in the Design phase according to Article 27 of NC CAM. Thereby economical aspects and aspects of grid topology will be taken into account.

For the entry-exit-systems addressed by this report, the following conclusion for the (non)-initiation of an incremental capacity project is drawn:

a. Exit Poland (E-Gas Transmission System) (GCP GAZ-SYSTEM/ONTRAS) – TSO GAZ-SYSTEM

In order to fulfill the request of the market demand, a technical study for the exit GCP GAZ-SYSTEM/ONTRAS is necessary.

b. Entry Trading Hub Europe (GCP GAZ-SYSTEM/ONTRAS) – TSO ONTRAS

In order to fulfill the request of the market demand, a technical study for the entry GCP GAZ-SYSTEM/ONTRAS is necessary.

D. Provisional timeline

The involved TSOs have planned to conduct the technical studies and the consultation of the draft project proposal according to the following provisional timeline:

Start Date	End Date	Description
21.10.2019		Start of design phase
21.10.2019		Technical studies by TSOs
In calendar year 2020		Publication of consultation documents
In calendar year 2020		Public consultation
In calendar year 2020		Planning of offer levels by TSOs in close cooperation with NRAs
Q3/ Q4 2020	Q1/ Q2 2021	Approval and publication of the necessary parameters acc. to Art. 28 Para 1 NC CAM by NRAs
Q1/ Q2 2021	5.5.2021	Adjustment of the offer levels according to NRA decision by the TSOs
5.5.2021	5.5.2021	Publication of the approved parameters and of a template of the contract(s) related to the capacity to be offered for the incremental project
5.7.2021		Yearly capacity auction/economic test

The stated dates have provisional character and are therefore subject to change.

If the economic test was positive, the project will feed into the national development process.

E. Interim arrangements for the auction of existing capacity at the concerned IP(s)

According to Article 26 Para 13 (j) of NC CAM, the involved TSOs will offer capacities in compliance with Art. 11 Para 3 of NC CAM. The total duration of the non-binding demand indications with relevance for this Demand Assessment Report spans from gas year 2021/22 to gas year 2035/36, thus matching the threshold value stipulated in abovementioned Articles. At the moment the involved transmission system operators are investigating how to apply Art. 11 Para 3 of NC CAM with regards to limitation of the number of years being offered in the yearly auction of 2020.

The decision regarding this issue will be made commonly by both transmission system operators upfront the yearly auction in 2020.

F. Fees

According to Article 26 (11) of Regulation (EU) 2017/459 transmission system operators may charge fees for activities which result from the transmission of non-binding demand indications. Whether to demand fees or not is evaluated by the transmission system operators for every single incremental capacity cycle. The decision on this matter for one specific incremental capacity cycle has no significance on any following cycles.

For the incremental capacity cycle addressed by this report, the following regulations in respect to fees apply: No fees have been charged by the involved TSOs for this cycle of incremental capacity.

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